
**Technology, Energy &
Communications Committee**

HB 2644

Brief Description: Increasing temporarily the statewide cap for the customer assistance public utility tax credit.

Sponsors: Representatives P. Sullivan, Crouse and Kilmer; by request of Department of Trade and Economic Development.

Brief Summary of Bill

- Increases by \$6 million the statewide cap on the public utility tax credit for qualifying contributions and billing discounts made by a utility for the purpose of providing home energy assistance to low-income households, for fiscal year 2007 only.

Hearing Date: 1/19/06

Staff: Mark Matteson (786-7145).

Background:

Low-income home energy assistance program. Assistance to low-income energy customers is provided through a federal block-grant program that allocates funds to the states. The program, known as LIHEAP (Low-Income Home Energy Assistance Program), is administered by the Department of Community, Trade and Economic Development (DCTED).

The LIHEAP grants are distributed to qualifying households through a service network of 24 nonprofit community organizations and three local governments. The grants are used to pay a portion of winter heating costs for low-income customers. Qualifying customers are those who are at or below 125 percent of the federal poverty level.

According to the DCTED, Washington received \$41.6 million in federal LIHEAP funds in federal fiscal 2005. These moneys were used to provide assistance to roughly 72,000 households.

Public utility tax. Public and privately-owned utilities are subject to the state public utility tax (PUT). The PUT is applied to the gross receipts of the business. The tax rate depends on the utility classification. For light and power businesses, the applicable tax rate is 3.873 percent. For gas distribution businesses, the rate is 3.852 percent. Revenues are deposited to the state general fund.

The PUT does not allow deductions for the costs of doing business, such as payments for raw materials and wages of employees. Nonetheless, a number of exemptions, credits, deductions, and other preferences have been enacted for specific types of business activities.

In the 2001 legislative session in the wake of price spikes in the wholesale electricity market, the legislature enacted a credit against the PUT for qualifying contributions and billing discounts made by gas and electric utilities to qualifying low-income customers. Qualifying contributions are amounts provided to supplement LIHEAP grants to nonprofit community organizations that assist in the administration of such grants. Billing discounts are reductions in the amount charged for providing service to persons eligible for such grants. To qualify for the credit, the utility's billing discounts or qualifying contributions must be at least 125 percent greater than discounts or contributions given by the utility in 2000. The amount of the credit for each utility is equal to one-half the total discounts and contribution given in a fiscal year.

The maximum total credit available state-wide each year is \$2.5 million. Each utility is also limited to a maximum credit amount based on its proportional share of energy assistance grants received by its low-income customers. Any credit that is not used in a fiscal year lapses for that utility and may be reapportioned to other qualifying utilities. The total credit available to a utility is its maximum available credit plus any portion of unused credits that are reapportioned to it.

In state fiscal 2005, almost \$2.5 million was earned as credits against the PUT under the program.

Summary of Bill:

The total amount of credit available statewide under the public utility tax credit program for qualifying contributions and billing discounts is temporarily increased to \$8.5 million for state fiscal 2007 alone.

Appropriation: None.

Fiscal Note: Requested on 1/11/06.

Effective Date: The bill takes effect on July 1, 2006.